

A-76 Frequently Asked Questions Set 1

Q. What is A-76?

A: The Office of Management and Budget Circular A-76, Performance of Commercial Activities, was first enacted during the Eisenhower administration. The fundamental concept behind the A-76 Circular is that the government should not compete with the private sector in providing services considered "commercial activities," i.e., activities not considered inherently governmental that can be provided by the private sector.

The A-76 Circular provides procedures to conduct managed competitions between public and private sectors for commercial activities. Such competitions will determine whether it is more efficient for a function to be performed by the private sector, by an in-house government workforce, or through an inter-agency support agreement with another government activity.

Following the guidelines set forth in the Circular, the managed public/private competition process will examine the financial impact of continuing to provide property management services in-house or by contract. The Subject Matter Team will first be responsible for drafting a Performance Work Statement for selected processes. The A-76 guidelines encourage competition and provide a level playing field between public and private offerors. Under the A-76 process, the Commercial Activities Team will establish a government bid team to design and create a management plan including a Most Efficient Organization to compete against private industry. The management plan includes development of a Most Efficient Organization and the in-house cost estimate based upon that Most Efficient Organization. The Most Efficient Organization determines the number and type of government personnel required to perform the tasks cited in the Performance Work Statement. The Most Efficient Organization/in-house cost estimate will be completed at the same time initial offers are due from private sector firms on the solicitation containing the Performance Work Statement.

Once initial private firm offers are received, these offers are evaluated and rated like any other service contract solicitation. The government will ultimately determine, using best value guidelines, the best private firm offer. Once this selection is made, the best value private firm offer is compared with the government's in-house cost estimate. A decision is made between the private firm offer and the Most Efficient Organization based solely on price. The best private firm offer must beat the government bid by more than ten percent to win.

The Subject Matter Team will provide updated information on the process and receive employee input and comment on an on-going basis through media such as the VA A-76 web site.

Q. How does A-76 differ from privatization?

A: Privatization refers to a decision by the government to get out of a given line of business and turn over operations and possibly assets to a contractor to perform that business. The A-76 process permits the government to compete with private enterprise and obtain the best value while retaining responsibility for performance of the function.

Q. How does A-76 differ from regionalization?

A: Regionalization and A-76 studies are two different approaches to infrastructure reduction. Regionalization focuses on looking for consolidation opportunities for similar functions within a geographical area. A-76 studies are a structured methodology to identify the most economical source of obtaining commercial activity services. Combining the two approaches should provide even greater efficiencies than just pursuing one.

Q. What are the benefits of an A-76 Study?

A: The A-76 study will examine and improve the processes studied and make them more cost-effective. An A-76 study does not always result in a “contracting out” of a process – rather, an A-76 study is a tool for developing an efficient and competitive business operation.

Q. What happens in an A-76 Study?

A: When more than 50 federal employees are affected, Congress must be notified before a study of the function or functions can begin. The estimated completion time for an average single function A-76 study is approximately 12–18 months. The first step is the preparation of the Performance Work Statement. The Performance Work Statement is the heart of the contract solicitation and will outline the tasks that must be accomplished. Based on the requirements in the Performance Work Statement, the government develops a management plan including the Most Efficient Organization to do the work in the Performance Work Statement. Once the solicitation is issued, prospective contractors will submit their proposals to do the work in the Performance Work Statement. An evaluation board will evaluate contractor proposals. The evaluation process will determine which contractor best meets the established evaluation factors, and that contractor's bid will be compared with the government's bid or in-house cost estimate. If the contractor's bid does not beat the government's bid by at least 10 percent, the function will remain with the government.

Q. Who is conducting the study?

A: VA has hired Booz· Allen & Hamilton as the consulting contractor on this initiative. The Booz· Allen team members bring a wealth of expertise and practical experience in conducting A-76 Studies. In addition, an in-house Subject Matter Team has been established to provide the program, employee, and operational expertise and experience necessary for an accurate and complete Study. The Subject Matter Team includes Loan Guaranty Officers and Property Management employees and supervisors, as well as representatives from the American Federation of Government Employees, the National Federation of Federal Employees, General Counsel, Human Resources, Finance, Field Operations, Policy and Planning, Acquisition Operations and Analysis (Contracting) and the Office of Management and Budget. The Booz· Allen team and VA's Subject Matter Team will form a single Study team to conduct this Study.

Q. What is the timeline for this A-76 study?

A: The official start date for the A-76 study of VA's PM operations was August 1999. VA anticipates releasing the RFP by May/June 2000, and making an award decision by August 2000.

Q. What safeguards will there be in the selection process to ensure impartiality and objectivity on the part of the government selection body, which might be predisposed to the government or the contractor candidate?

A: In addition to the protections provided for in the Federal Acquisition Regulations, the A-76 Circular provides additional safeguards such as the appointment of an Independent Review Official to certify the government's cost estimate.

Q. How will the comparative evaluations be conducted?

A: The Performance Work Statement defines what is being requested, the performance standards and measures, and time frames required. The procurement will be conducted in accordance with the Federal Acquisition Regulation and Office of Management and Budget Circular A-76. The source selection team will evaluate all contractor proposals and select the most advantageous, considering technical and cost evaluation factors. Then, after all necessary adjustments have been made to ensure that the

government's in-house cost estimate and the other offers are based on the same scope of work and performance standards, the Contracting Officer will open the government's in-house cost estimate and perform the cost comparison.

Q. What are the criteria/evaluation factors that will be evaluated and compared?

A: The contractors' technical and cost proposals and the government's management plan will be evaluated. The government's contract solicitation will clearly define the evaluation criteria.

Q. How will differences in such things as accounting systems, costs, employee benefits, etc. be reconciled or converted into common denominators for comparison purposes?

A: The Revised Supplemental Handbook to Office of Management and Budget Circular A-76 recognizes that the public and private sectors account for costs in different ways. These differences necessitate cost comparison requirements that equalize the systems to reflect the total alliterative costs to the government and the taxpayer. Accordingly, the Handbook provides procedures to establish a practical level of consistency. In addition, the government's cost estimates are certified in writing by an Independent Review Officer as being in compliance with the procedures and requirements described in the Handbook.

Q. How is overhead allocation applied to the government's bid under A76?

A: The Most Efficient Organization will identify how the government plans to accomplish the work specified in the Performance Work Statement, including the number and grades of employees. From this data, the cost of labor in the government's offer is determined. Pursuant to Office of Management and Budget Circular A-76, the overhead allocation applied to the government's offer is 12 percent of these labor costs.

Q. Who makes the decision as to the successful bidder?

A: The Source Selection Authority or designee is responsible for determining which entity, private or Most Efficient Organization, is the successful offer. The appointed Source Selection Authority Official has not yet been determined.

Q. Who are the watch dogs over the successful bidder's performance?

A: A Quality Assurance Surveillance Plan will detail what standards are to be met in the performance of the work. The Quality Assurance Surveillance Plan will be used, as administered by government employees, to determine if performance is satisfactory.

Q. What is a Most Efficient Organization? How do you determine what makes an organization 'most efficient'?

A: This means the government's Most Efficient Organization, which is the basis for the government's in-house cost estimate. It is a procurement-sensitive document that identifies the organizational structures, staffing and operating procedures, equipment, transition and inspection plans necessary to carry out the work in the Performance Work Statement. The Most Efficient Organization is developed by the Subject Matter Team, and it may include plans for consolidation, re-engineering, personnel reclassification, and other restructuring.

Q. How long will the contract(s) run?

A: Contract duration will be determined as part of the acquisition planning process.

Q. Would the contractor be subject to the same regulations and constraints as in-house personnel in performing the functions? Will there be a "level playing field" for the government and the contractor?

A: The Performance Work Statement will define the contract requirements. The contractor and the government will be submitting bids based on the requirements stated in the Performance Work Statement. The requirements will be the same for both the contractor and government including any mandatory regulations. The Performance Work Statement will express contractual requirements in terms of desired performance and outputs; in most cases, it will not direct the service provider as to how to accomplish the work. Therefore, some local instructions, policies and guidance that are currently used in performing the work may not be incorporated into the Performance Work Statement, or may be incorporated in a manner that makes their use elective.

Q. Will a contractor's performance be held to the same standards as government employees?

A: Yes. If a contractor wins the A-76 competition, its performance will be monitored under the Quality Assurance Surveillance Plan which is created by the government prior to award. The Quality Assurance Surveillance Plan is the basis by which Federal employees will supervise in-house (government) or contract performance to ensure that the standards of the Performance Work Statement are met within the price offered.

Q. If a function is contracted out, could this same function be returned to an in-house function in the future?

A: Contracts awarded under Office of Management and Budget Circular A-76 procedures are reviewed at least every five years to determine if continued contract performance is cost effective for the government. This review would evaluate whether it would be more economical to continue to contract the function or return it to its in-house operation. If the evidence suggests the latter, then a formal cost comparison would be initiated to determine if the function should be resumed in-house.

Q. What if the contractor wins the bid and then cannot accomplish the work ?

A: First, contractors submitting offers to perform the work specified in the Performance Work Statement must clearly identify how they plan to accomplish the work. This information is closely scrutinized to determine if it meets the solicitation's standards and is feasible. All offers are subjected to this in-depth evaluation.

Second, stringent oversight provisions will be included in the Quality Assurance Surveillance Plan to monitor contractor performance. In the unlikely event that a contractor should fail and the contract is terminated, there are numerous contingency measures that may be taken. If this failure should occur soon after award, the next highest bidder could be considered or another solicitation could be issued for re-bid. Accomplishing the work in the interim could be done by various means, including temporary assistance contracts, use of reservists, transfer of employees, Interservice Support Agreements, transporting the property to another site, etc.